

OUR FIDUCIARY RESPONSIBILITY REGARDING FUNDS

fi-du-cia-ry adj / [confidence, founded on trust, fr. Fidere (1641)] of, relating to, or involving a confidence or trust: held or founded in trust or confidence

Webster's Ninth New Collegiate Dictionary - 1987

Members of the Navy League assume a fiduciary responsibility for any funds raised in the name of either of our youth programs or, the Navy League of Canada itself. Sadly, a percentage of my duties involve coordinating inquiries regarding mismanaged and misappropriated funds at the Branch level. At present, there are three such cases on the go and at any given time, I will have at least one file open. The National Volunteer Organization recognizes that the single largest threat to non-profit volunteer-run organizations is theft from within. Here is the good news: we have over 235 Navy League Branches and the vast majority are running at full speed. Therefore, I would like all involved to consider this article as part of a proactive initiative to prevent any Branch from having to suffer what is a preventable loss. I like to assume that each and every volunteer I have the good fortune to meet is on board for all the right reasons.

Attracting volunteers who are prepared to do “real work” is not getting any easier. Finding an individual who is willing to take on the Branch Treasury duties can represent an even bigger challenge. My own father was a Branch Treasurer for six years and I know first hand how much work is involved. Experience dictates that the majority of funds that do go astray do so at the hands of the Branch Treasurer. Please take a deep breath if you are reading into this article the fact I suspect all Branch Treasurers. On the contrary, I take my hat off to these folks who toil away in support of our aims. What I will suggest however is that Branch Executives give serious consideration to who is nominated to the Treasurer’s position. In most cases, the best Branch Treasurer is someone with professional accreditation and many in the accounting industry are prepared to volunteer their time. Failing the appointment of such an individual, some consideration should be given to how your Branch Treasurer’s work is going to be verified. While Branches do not require an official audit there is supposed to be a system of checks and balances in place, and preferably throughout the year. People who handle money expect such processes and will not be offended at our fiduciary responsibility to protect all involved.

While most thefts are in the \$5-10,000 range we have had some as large as \$50,000 or more. Quite often it is difficult to ascertain how much money has gone missing, especially when we find a Treasurer has been working in relative isolation from the rest of the Executive. In a great number of the cases we find that the second required signature on the League cheque has been forged. Returned cheques from the bank with forged signatures are usually omitted from the Branch records. Often we end up working directly with the local bank where fortunately, these types of records can be retrieved. In

the event the theft is minor and carried out over a long period of time, it is possible the Branch Executive will never discover the embezzlement.

The profile of the people who have been caught is consistent. In general, they are individuals who have entered a period of personal financial hardship. They often maintain that funds removed were a loan which they had every intention of repaying. In other cases, the Branch Treasurer may have felt as though the funds removed were taken as compensation for the long hours of work. I should add that in some cases the Branch President or other members of the Board may have also been at fault. Theft from bingo floats and funds collected during activities like Tag Days can easily occur long before the Branch Treasurer takes possession.

In the event you suspect any wrongdoing I recommend the following steps:

- Inform the next senior person in the chain of command that you suspect is not involved. This could be the Branch President or, the Division President.
- Be very discreet until you have spoken to someone with experience handling these types of matters.
- The Division should be informed as soon as possible and following that, the National Office.
- The Division and National Office will coordinate how best to handle the matter. This could involve having an independent auditor step in or, contacting the local police.

When we find clear evidence of fraud or outright theft we usually recommend that the police be advised. They know how to handle these types of matters and often an individual that agrees to cooperate and make restitution is not formally charged. The Navy League has been successful in having individuals taken to court whereby they were ordered to repay or have had their wages garnished.

The funds we raise in the local community are a precious resource we cannot afford to place in jeopardy. Money raised has to be managed in accordance with our regulations and expended in support of our recognized programs and priorities. Branches do not have the authority to make personal loans. Fund raised must be used towards the original goal – for example, musical instruments and boats and not trips to an amusement park.

I encourage our collective membership to take notice, ask questions and become fully involved in the Branch finances. Let us do our part to ensure your Branch does not become a victim. If this story sounds familiar you may remember our very own Cowichan Branch in Duncan BC, who had their accounts emptied last year. The Branch was gracious enough to send us an article regarding the theft that we printed in our 3rd issue sent out in November of 2001. The following are the key points on how the theft could have been prevented:

- Conduct a criminal records check on the Treasurer.
- Have a potential Treasurer submit a resume.
- Never ever permit the practice of people signing blank cheques. The court tends to treat them as crimes of opportunity. That means that the Navy League gets reprimanded for having been naive.
- Have the Branch bank records checked and verified on a monthly basis.

This is a risk that we have to get serious about.